

Quarterly Update

Q4 17

Fund Facts

Portfolio Manager
Alex Short



Investment Objective and Strategy

The Company exploits what it believes to be the compelling relative value opportunities offered by pricing inefficiencies in smaller commercial properties let on shorter occupational leases in strong commercial locations. The Company intends to supplement this core strategy with active asset management initiatives to improve the quality of income streams and maximise value.

Launch date: 12 May 2015

Fund structure: UK Real Estate Investment Trust

Year end: 31 March

Fund size (Net Asset Value): £147.34m

Property valuation: £151.59m

Number of properties held: 31¹

Average lot size: £4.89m

Property portfolio net initial yield (% p.a.): 7.44%

Property portfolio reversionary yield: 8.09%

LTV (Gross Asset Value): 21.40%

Average weighted unexpired lease term

To break: 4.47 years **To expiry:** 5.63 years

Occupancy: 91.61%* * As a % of ERV

Number of tenants: 84

Share price as at 31 Dec: 99.5p

NAV per share: 97.21p **Premium/(discount) to NAV:** 2.36%

Shares in issue: 151.56m

Market capitalisation: £150.80m

Annual management charge: 0.9% per annum of invested NAV

Dividend target

The Directors will declare dividends taking into account the level of the Company's net income and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend, which is 8 pence per Share, over the 12 months ending 30 April 2017. Based on the current market conditions as at the date of this Registration Document, the Company expects to pay an annualised dividend of 8 pence per Share in respect of the financial period ending 31 March 2018 and for the interim financial period to 30 September 2018.²

ISIN: GB00BWD24154 **Broker:** Fidante Capital

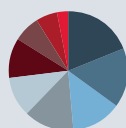
Ticker: AEWU **SEDOL:** BWD2415

AEW UK REIT plc invests in and intensively asset manages a diversified portfolio of small, high yielding commercial properties across the UK

Fund Highlights

- The Company is reporting on a two month reporting period from 1 November 2017 to 31 December 2017 in order to align quarter-end dates and dividend payments with the change in the Company's period end to 31 March 2018.
- At 31 December 2017, fair value independent valuation of the property portfolio was £151.59 million (31 October 2017: £147.79 million), following one acquisition during the period for £3.10 million. On a like-for-like basis the valuation of the property portfolio increased by £0.70 million (0.47%) over the two month period (three month period ended 31 October 2017: £2.09 million and 1.50%).
- NAV of £147.34 million or 97.21 pence per share (31 October 2017: £148.22 million or 97.80 pence per share).
- EPRA earnings per share ("EPRA EPS") for the two month period of 1.09 pence per share (three months to 31 October 2017: 1.65 pence per share).
- Interim dividend of 1.33 pence per share announced for the two months ended 31 December 2017.
- NAV total return of 1.47% for the two months ended 31 December 2017.
- The Company remains conservatively geared with a gross loan to value ratio of 21.44% (31 October 2017: 21.99%).
- At 31 December 2017, the Company held £28.32 million cash for investment with a further £7.50 million of loan facility available for new investment. On 24 January 2018, the Company completed the purchase of Knowles Lane, Bradford, for £2.10 million. As at 26 January 2018, the Company has unconditionally exchanged to purchase Geddington Road, Corby, for £12.40 million, which is due to complete on 16 February 2018. The Company has a further two assets under offer for a combined purchase price of £15.78 million.

Portfolio Locations



● South East	19.08%
● Yorkshire and Humberside	16.15%
● South West	13.62%
● Eastern	13.51%
● West Midlands	10.95%
● North West	10.70%
● Scotland	7.29%
● East Midlands	5.74%
● Wales	2.97%
Central London, North East, Northern Ireland	0.00%

Based upon Knight Frank valuation. As a percentage of portfolio (excluding cash).

¹ From 31 December 2017, the whole of Sarus Court Industrial Estate is being treated as a single property. Prior to this, the 6 units had been split into 3 separate holdings, as they were purchased on different dates. This has had the effect of reducing the reported number of properties from 33 to 31 as at 31 December 2017, including one acquisition during the period.

² In order to align dividend payments with the Company's new accounting period, in respect of the 3 month period to 31 October 2017, the Company has declared a dividend of 2 pence per Share and then, in respect of the 2 month period to 31 December 2017, it currently intends to pay a further dividend at a rate of two-thirds of the 2 pence per Share dividend currently being paid for a three month period (reflecting the 2 month period since the previous dividend payment). From March 2018 the Company anticipates resuming quarterly dividends with dividends declared in January, April, July and October of each year.

Investment Summary

We have now made good progress on investing the £28 million that was raised in October 2017 with another new acquisition that was announced during December 2017, yielding just over 9%. The asset, acquired for c. £3 million, comprises an office building in Gloucester which we expect will remain occupied by the Secretary of State for Communities & Local Government for the coming few years and provides good potential to add value in the medium term by way of conversion to residential use. The remainder of the equity raise is now fully allocated to assets that are under offer and well progressed in due diligence and, as such, we expect to be making further acquisition announcements shortly, subject to prevailing market conditions. During 2017 we saw a significant focus in the market on long leased properties and as a result, saw compelling buying opportunities for the Company's strategy which continues to find yield premium by investing in smaller lot size properties let on shorter than average leases in sustainable locations.

Capital growth of the Company's assets has continued over the two month period with like-for-like valuation growth of 0.47% and, as was seen throughout 2017, this was focused mainly within the industrial

sectors. The Company is well placed to benefit from this, having an industrial weighting of over 40%. This growth figure compares well to the like-for-like growth reported by the Company throughout the year although, due to the Company's change of year end, the reporting period is one month shorter."

Since its IPO in May 2015, the Company has invested over £150 million in 32 assets. It is currently invested in office, retail, industrial and leisure assets, with a focus on active asset management, repositioning the properties and improving the quality of the income stream. Whilst occupational demand in strategic locations remains, securing tenants on shorter leases allows AEWU to crystallise value through rent reviews and lease re-gears.

After the period-end, the Company completed the purchase of Knowles Lane, Bradford, for £2.10 million. The asset is fully let to one tenant, Pilkington UK Ltd, who have been in occupation for c. 30 years and was acquired for a price reflecting a low capital value of £45 per sq ft and a net initial yield of 7.2%.

Q4 Acquisitions

Cedar House, Gloucester

- Attractive yield profile, 9% NIY
- Low capital value per sq ft
- Long term potential for residential conversion



Sector Weightings		
	● Standard Retail	16.4%
	● Retail Warehouse	6.2%
	● Offices	32.0%
	● Industrial	41.8%
	● Other	3.7%

Based upon Knight Frank valuation. As a percentage of portfolio (excluding cash).

10 largest assets	Location	Sector	Value (GBPm)	% of Fund Value
225 Bath Street	Glasgow	Other offices	11.1	7.3%
40 Queen Square	Bristol	Other offices	10.3	6.8%
69, 71, 73 and 75 Above Bar Street	Southampton	Standard retail	8.8	5.8%
Pearl Assurance House	Nottingham	Other offices	8.7	5.7%
Eastpoint Business Park	Oxford	Other offices	8.7	5.7%
Barnstaple Retail Park	Barnstaple	Retail warehouses	7.3	4.8%
Unit 16 and Unit 16a Lanthwaite Grange Industrial Estate	South Kirkby	Industrial	6.5	4.3%
Commercial Road	Portsmouth	Standard retail	6.4	4.2%
1001-1004 Sarus Court	Runcorn	Industrial	5.9	3.9%
Wyndeham	Peterborough	Industrial	5.7	3.8%

AEW UK Investment Management LLP

Well-resourced team comprising **24 individuals** covering investment, portfolio management, asset management, operations, relationship and client management, and strategy

AEW UK has **£1.47bn total AUM** (as at 30 September 2017)

Part of AEW Global, one of the world's largest real estate managers, with **€57.7 billion of assets** under management (as at 30 September 2017)

In Europe, as at 30 September 2017, AEW Global managed **€26.6 billion in properties** of all types located in **15 countries**, with **c. 400 staff**

The management team



Richard Tanner, Managing Director – AEW UK



Alex Short, Portfolio Manager



Laura Elkin, Assistant Portfolio Manager

Key contacts New investors: Dana Eisner | dana.eisner@eu.aew.com | T: 020 7016 4883 Existing investors: Kari Clarke | kari.clarke@eu.aew.com | T: 020 7016 4804

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